

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 2864 - SB 2648

March 9, 2020

SUMMARY OF BILL: Exempts new health care projects by or on behalf of a facility other than a hospital from having to obtain a certificate of need (CON) if:

- The construction, development, purchase, renovation, or other establishment of a facility, or any capital expenditure by or on behalf of a facility, for which the capital expenditure is equal to or less than \$1,500,000;
- The purchase, lease, or other comparable arrangement of a single piece of diagnostic or therapeutic equipment for which the cost, or in the case of a donation the value, is equal to or less than \$1,000,000; or
- Offering a health service or technology for which the annual operating expense is equal to or less than \$500,000.

Exempts a new healthcare project if it is by or on behalf of a hospital, and includes the following:

- The construction, development, purchase, renovation, or other establishment of a facility, or any capital expenditure by or on behalf of a facility, for which the capital expenditure is equal to or less than \$3,000,000;
- The purchase, lease, or other comparable arrangement of a single piece of diagnostic or therapeutic equipment for which the cost, or in the case of a donation the value, is equal to or less than \$1,500,000; or
- Offering a health service or technology for which the annual operating expense is equal to or less than \$1,000,000.

ESTIMATED FISCAL IMPACT:

Increase State Revenue – Exceeds \$215,500/FY20-21 and Subsequent Years

Increase State Expenditures - \$301,800/FY20-21

\$291,000/FY21-22 and Subsequent Years

Other Fiscal Impact - Pursuant to Tenn. Code Ann. § 68-11-1623(b), the Health Services Development Agency (HSDA) is required to be self-sufficient. As of June 30, 2019, the HSDA's reserve fund balance is was \$1,900,000. The Governor's FY20-21 proposed budget recommends \$1,300,000. The HSDA may increase fees for other certificate of need applicants in the future, if necessary, to remain self-sufficiency.

Assumptions:

- The Division of Health Licensure and Regulation cannot accommodate the proposed legislation within existing resources. Removing the requirement to require a CON for certain projects will result in an increase in projects. In 2019, the number of projects received corresponding to the specifications in the proposed legislation was 281 projects at a total fee revenue of \$718,231. It is estimated these projects will increase as a result of the proposed legislation.
- Assuming a 30 percent increase, or 84 ($281 \times 30.0\%$) projects, the increase in state revenue is estimated to exceed \$215,469 ($\$718,231 \times 30.0\%$) in FY20-21 and subsequent years.
- The Department of Health cannot accommodate the proposed legislation within existing resources and will require two Facilities Construction Specialist 3 positions for project review and inspections and two Fire & Building Code Inspector 3 positions for onsite inspections.
- The one-time increase in state expenditures is estimated to be \$10,800 for office furniture.
- The recurring increase in state expenditures is estimated to be \$290,998 (\$193,920 salaries + \$57,478 benefits + \$5,600 communications + \$31,600 administrative cost + \$2,400 supplies) in FY21-22 and subsequent years.
- The total increase in expenditures in FY20-21 is estimated to be \$301,798 (\$10,800 + \$290,998).
- Tenn. Code Ann. § 68-11-1621 establishes criteria for issuance of CON for new nursing home beds regardless of site, including conversion of any beds to licensed nursing home beds.
- No CON requests have been denied under this section of code in several years; therefore, any fiscal impact to the Division of TennCare is estimated to be not significant.
- Based on information provided by the Health Services Development Agency (HSDA), any potential negative impact upon the revenue generated by CON application fees would be offset by adjustments to the fee schedule for applications.
- Pursuant to Tenn. Code Ann. § 68-11-1623(b), the Health Services Development Agency (HSDA) is required to be self-sufficient. As of June 30, 2019, the HSDA's reserve fund balance is was \$1,900,000. The Governor's FY20-21 proposed budget recommends \$1,300,000. The HSDA may increase fees for other certificate of need applicants in the future, if necessary, to remain self-sufficient.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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